UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

Distr.:
GENERAL

E/ECA/TRADE/89/16
3 November 1989

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA

Meeting of the Intergovernmental
Group of Experts on Trade

Addis Ababa, Ethiopia
13-15 November 1989

ECONOMIC COMMISSION FOR AFRICA

Tenth Meeting of the Conference
of African Ministers of Trade

Addis Ababa, Ethiopia
17-18 November 1989

RECENT TRENDS AND DEVELOPMENTS IN INTERNATIONAL TRADE RELATIONS

I. INTRODUCTION

1. Since the ninth session of the Conference of African Ministers of Trade held in 1987 a number of important developments have taken place in international trade relations. Among these are: (a) the seventh session of the United Nations Conference on Trade and Development (UNCTAD) which was held in July 1987; (b) the Uruguay Round within the GATT framework; (c) the ACP EEC negotiations on the new Lomé Convention; (d) the Single Europe Act of 1992 unifying the European trading bloc; (e) bilateral arrangements between the United States of America and Canada; and (f) recent reforms in the socialist countries of Eastern Europe. These have combined to shape the world trade environment for the years to come.

2. The network of world trade, its composition and direction have undergone considerable transformation during this decade. A variety of macroeconomic factors have contributed to this transformation which alter the conditions under which countries and regions trade with one another. The impact of relatively short-term factors on trade, which include financial instability, fluctuating exchange rates, declining prices of primary commodities and increased levels of indebtedness, have adversely affected Africa more than other developing regions. In addition, scientific and technological progress has introduced new products and services in world trade. Experience shows that countries with high levels of industrialization had the largest share of manufactures in their trade. Paradoxically, these developments acted as a severe brake on Africa's capacity to share the benefits arising from improved international trade relations.

3. This report therefore examines Africa's external trade performance since 1987 in the light of overall trends in world trade enumerated above. In particular it focuses on results of the negotiating process under the auspices of: (a) the United Nations Conference on Trade and Development; (b) the General Agreement on Tariffs and Trade; and (c) the ACP-EEC co-operation arrangement. The paper concludes by isolating major problem areas of importance to the African countries and makes proposals for action to be taken to ameliorate the situation in the 1990s.

II. AFRICA'S EXTERNAL TRADE PERFORMANCE SINCE 1987

4. At the time of the Ninth Conference of African Ministers of Trade in 1987 the world merchandise trade was expanding at an estimated 5 per cent, well above the growth rate recorded in the two preceding years. In 1988 according to GATT, the world trade increased by 14 per cent over the preceding year beinging the value of world merchandise exports to a new record high of US$2,880 billion. Thus continuation of that upward trend albeit at a lower rate in 1989, is a result of the industrial economies experiencing one of their longest recovery periods.

5. Africa, however, did not share in that boom, and the above developments are in marked contrast with the situation in Africa's trade relations. In the words of the Executive Secretary of the ECA, developing Africa's external sector more than stagnated because of the general decline in the region's export performance. During the year 1988, African exports increased by only 2.6 per cent to reach 56.3 billion US dollars, as against the rate of 8.7 per cent in 1987. In volume terms the rise of exports was a mere 0.1 per cent. The situation for 1989 is not expected to dramatically change this dismal picture since according to the ECA Secretariat's estimates, exports growth will be minimal in 1989 at only 0.8 per cent.

6. This situation is explained by the fact that despite the revival of international trade, African countries did not take appropriate measures to take advantage of the situation. Hence, the disappointing export performance of the region was mainly attributable to the fall in prices of many commodities of export interest to Africa. For example, oil prices dropped by around 17 to 19 per cent with resultant contraction of oil export earnings by 2.9 per cent in 1988. The price of cocoa fell by 50 per cent between mid-1987 and mid-1989. With the exception of copper, sugar and diamonds, the situation for most non-oil primary commodities did not show signs of improvement in the last year. For instance, coffee prices were weak and fell especially for robustas that are mainly produced in Africa. Similarly, export earnings from cotton for Mali and the Sudan as cotton prices lost nearly a third. Moreover, while sugar prices gained around 50 per cent on the free market, this made a very limited impact on the region's fortunes since sugar constitutes only a minor fraction of total exports. Whilst the metals boom, particularly in copper, was of greater importance to Africa, its two main producers, Zaire and Zambia, could not unfortunately fully benefit from higher prices due to production problems among others.

7. While the region's total exports in value terms recorded only a relatively modest growth, its imports in 1988 grew at an estimated 8.2 per cent and were of the magnitude of US$69 billion. The consequences of this higher growth rates of imports were that the trade balance of the region worsened and reached US$12.7 billion as compared with US$8.9 billion in the preceding year. In this regard it has to be recalled that Africa last recorded a surplus in 1980. Ever since then the cumulative trade deficit (for the 1981-1988) period has grown to US$57 billion. This was despite intensified efforts of many African countries aimed at implementing import limitation policies in the face of sagging export earnings, increasing debt service obligations and stagnating real resource flows. No relief can be expected from the year 1989 since imports are estimated to grow at a higher rate than that of exports.

8. Since 1973, export volumes have remained stagnant or even declined in most African countries. Many of the more detailed highlights regarding the performance of selected African economies (Algeria, Côte d'Ivoire, Egypt, Ethiopia, Morocco, Nigeria, Sudan and Zaire) which between them account for nearly 61 per cent of Africa's total annual output that were discussed at the 15th session of the ECA Conference of Ministers in March 1989, are still valid. It is nonetheless important to reiterate production constraints have contributed to sagging export earnings to a no lesser extent than falling world prices.

The most recent examples are those for copper and coffee. According to the World Bank estimates, if Sub-Saharan Africa had maintained its 1970 market share of non-oil primary commodity exports and provided prices remained the same, export earnings of these countries would have been US$9-10 billion a year higher in 1986-1987. This difference is almost equal to the region's total debt service payments during these years.

9. Perhaps one way to appreciate some of the concerns relating to Africa's external sector is to compare trends in the region with those in other parts of the world. A main distinctive feature of the continued expansion of international trade is that it has largely by-passed the African region. Thus it has had very little stimulating effect on its trade and economic development. Over and above, the seemingly higher growth rate of GDP in 1988 and part of 1989 in the continent was mainly attributable to the exceptional good weather conditions recorded in many African countries. With Africa's exports growth rates below those of the world average the only result can be that of the shrinking share in the overall world exports. And indeed, while in 1977 African exports constituted 4.4 per cent of the world total, this proportion has continued to decline all through the 1980s reaching about 2.1 per cent in 1987. There was a further drop to 1.9 per cent in 1988. Although the same trend is evident for other developing regions, the relative decrease in their world market shares was much smaller. This process of gradual marginalization of Africa in the world trade relations is one of the most alarming phenomena in the 1980s and it is closely linked to the factors discussed below.

10. One of Africa's major weaknesses is the region's inability to change its production and consumption patterns. There is therefore little evidence to suggest any alternative scenarios. The most vexing question is whether Africa is destined to continue to depend on a small and generally rigid production base, characterized by little dynamism, to meet the needs of its growing population? However, possibilities of diversifying the export commodity composition in the immediate future seem rather limited in the light of the present trends. This is because there have not been any significant changes in the structure of African external trade in the past few years, apart from varying the share of mineral fuel exports, that occupy between 60 and 70 per cent of total Africa's exports. Over and above is the element that these changes are functions of price fluctuations. In 1988 exports of manufactures managed to record certain measure of success, but they mostly benefitted from better average price trends, rather more so than from increased export volumes. It would therefore be preposterous on the basis of these trends to talk about any meaningful export diversification.

11. The same lack of diversification also relates to the geographical distribution of Africa's external trade. Western Europe and North America remain Africa's main markets and principal sources of supply, with their share in 1987 being respectively 81.0 per cent and 74.3 per cent. Despite the fact that import sources are becoming increasingly more diversified than are export destinations, regional patters of both exports and imports remained broadly the same over the 1980s with no significant changes occuring in the product structure of major African exporters. Trade with other regions continued to be small, particularly trade with other developing countries. There was, however, a significant increase in imports from certain Asian countries, especially from the newly industrialized ones like Korea, Taiwan and Singapore that appear to play an increasing role as suppliers of manufactured goods to the continent.

12. Projections also show Africa's principal export commodities will earn relatively less and less on the world markets in the 1990s. Thus, taking 1980 as price baseline, wholesale price indices for selected commodities during the 1985-1987 period were only higher in the case of cotton, logs, groundnuts and tobacco. All other exportable goods were either equal or below the level of the two preceding years. It is widely believed that the present low prices for primary commodities are very close to historic trends and are unlikely to increase in the foreseeable future. At this juncture it would be, perhaps, opportune to recall that far-reaching changes are currently taking place in the global pattern of trade and production. As price forecasts up to the year 2000 for Africa's major primary commodity exports (coffee, cocoa, tea, cotton, copper, tin, nickel, bauxite, iron ore etc.) do not show any possibility to increase, it is this sort of background which removes any hope of a revival of economic growth predicated on recovery of primary commodity prices and say otherwise would seem to be misplaced. Moreover, Africa is going to be affected more than any other region by the projected slow growth in demand for primary commodities.

13. The reason why primary commodity production dominates the African economic activities is because of the region's failure to achieve the minimum policy objectives and targets set out in the Lagos Plan of Action and the Industrial Development Decade for Africa (IDDA). For instance in 1985, manufacturing value added (MVA) in Africa grew by 3.2 per cent, following negative growth trends in 1983 and 1984. There were also negative growth rates in 1986 and 1987. The picture in other developing countries in Latin America and the Caribbean shows that theirs grew by 3.6 per cent and 6.7 per cent respectively in 1986 and 1987. Corresponding figures for Asia and the Pacific were 5.9 per cent and 10.0 per cent respectively.

14. The sum total of Africa's trade trends in the face of the declining unit value of exports to that of imports resulted in deteriorating terms of trade and weakening of its purchasing power. Consequently, African countries found it increasingly difficult to maintain their levels of economic growth and development. It goes without saying therefore that an urgent need exists for considerable transformation in the approaches to the role to be played by external trade in the process of Africa's economic development. This aspect has been again advocated in the "African Alternative Framework to Structural Adjustment Programmes" (AAF-SAP) which was adopted by the ECA Conference of Ministers in April 1989. In other words, without real transformation of the production base, there could be no way of diversifying away from the existing monoculture of exports with all the intrinsic shortcomings.

15. These trends also reveal that the region's economic growth has lagged behind not only the growth of other developing regions but the world as a whole. Of the 50 African countries, over 20 of them have experienced negative growth rates in the 1980s since in only six countries has growth exceeded 2 per cent. The negative trends of the 1980s were in contrast to those of the 1960s and 1970s, except that they also were not across the whole continent as is the case for the most of the 1980s. It would not therefore be off the mark to conclude that developing Africa's overall growth rate is now virtually at a standstill.

III. UNCTAD VII

16. The seventh session of the United Nations Conference on Trade and Development (UNCTAD VII) in Geneva from 9 July to 3 August 1987 was preceded by a number of regional group preparatory meetings. Thus the African Ministers of Trade Preparatory to UNCTAD VII meeting in Addis Ababa from 16 to 19 March 1987, adopted the Declaration of African Ministers Responsible for Trade and Development Preparatory to UNCTAD VII. This was Africa's common position on trade and development issues in line with the agenda, that had been negotiated by the various groups. It also represented Africa's contribution to proposals that were submitted to the Sixth Ministerial Meeting of the Group of 77 and subsequently to the Seventh Session of the United Nations Conference on Trade and Development itself.

17. The end result of deliberations and decisions taken during UNCTAD VII may indeed be global but Africa also expected that some of its specific concerns would be reflected, at least taking cognizance of its Declaration, particularly since from the point of view of the African Ministers responsible for Trade and Development, the priorities for action are dictated by the objectives of developing (their) economies within a more favourable international environment. Similarly in the area of international trade, they indicated what needed to be done. For instance, "the removal of all tariff and non-tariff barriers against products of particular interest to African countries including tropical products and processed raw materials". They called for the improvement of the Generalised System of Preferences in terms of giving wider coverage to agricultural products of export interest to African countries.

18. Perhaps it is such concerns which ought to be the yardstick in assessing some of the results of UNCTAD VII from an African standpoint. It is also worth recalling that UNCTAD VII unlike its predecessors had an agenda with an Annex of Understanding. It took a very long time to reach an agreement. Implied in this was the fact that those items which had not been included from the outset were assumed not to deserve priority attention even if they were eventually incorporated in the Final Act of UNCTAD VII. That was the case with such issues as (a) resources for development, (b) commodities, (c) least developed; (d) economic cooperation among developing countries. Another feature of the Seventh Session was the rigid stand of Group B regarding its view on the standing of the G.77 (THE HAVANA DECLARATION) document. From the latter's point of view it was inadmissible because as they often reminded the G.77 that document had been prepared outside the framework of UNCTAD.

19. However, this having been said, what eventually transpired at the end of it all was the adoption by the Conference of the FINAL ACT OF UNCTAD VII (Doc. TD/350). The contents of this document represent the first response of the international community to the challenge embodied in the central theme of the agenda that had been adopted for the conference lying emphasis on revitalising development, growth and international trade.

20. Two years has elapsed since then and preparations have already began to set the scene for UNCTAD VIII. The extent to which the decisions taken at UNCTAD VII have advanced the African cause in the light of the African aspirations as reflected in the region's Declaration would be rather

difficult to establish. First because UNCTAD decisions are normally global in nature. Secondly, African governments rarely volunteer such information to the secretariat inspite of the fact that the latter makes most the preparations to ensure full and effective African participation. It can nonetheless be stated in conclusion that a lot of what was stated in the Declaration by the African Ministers Responsible for Trade is reflected in The Final Act of UNCTAD VII. It is now a matter of seeing that these decisions will be implemented.

IV. THE SUCCESSOR AGREEMENT TO THE ACP/EEC LOME III CONVENTION

21. The Lomé III Convention is a trade and economic arrangement between 66 African, Caribbean and Pacific (ACP) States on the one hand, and 12 European Economic Community (EEC) Member countries on the other hand, entered into operation from February 1985. It expires in February 1990 and it is in accordance with the mutually agreed procedures that the process of re-negotiating a Successor Arrangement was launched 18 months before the expiry on 12 October 1988.

22. At the beginning of Lomé III there were only 66 countries on the ACP side and 10 countries on the EEC side. In the interim, Angola and Mozambique joined the ACP Group while Portugal and Spain joined the European Community. This enlargement of membership may have certain implications on the future Conventions in terms of some specific provisions and resources to be made available for its implementation.

23. Up to this moment in time, it is safe to say that the Lomé Convention seems on the whole, to have upheld its main objectives. Particularly in respect of funds under EDF and the number of protocols including the Stabex and Sysmin. Nearly five years of its operation have shown that some of the targets and broad objectives that had been agreed upon were not fully realized. For instance, the rules of origin have not helped to fundamentally enlarge Africa's production, exports and consumption patterns of African products in the Economic Community. Similarly, Africa's export share of the Community market has tended to decline despite the so-called «free access» for ACP products. Stabex which is indeed an innovative mechanism has a number of areas that need improving. The most important factor in this regard is the necessity to elevate this machinery from its post-mortem character to include characteristics which should be preventive and curative. More importantly, in the light of the present development needs of ACP countries, the Lomé III Convention has several grave shortcomings since it does not effectively tackle such problems as external indebtedness, declining export earnings, industrialization or structural adjustment programmes.

24. It is important to point out that there were two opposite views when the negotiations started. On the one hand, the EEC was of the opinion that there was not much that needed to be changed as compared with the Lomé IV Convention apart from a few improvements here and there but not on matters of substance. The ACP Group, on the other hand, held a very opposite view. They had entered the negotiation process hoping to see substantial changes in the approach to the whole relationship under the Convention. In other words, they wished to negotiate substantial changes as substantiated by such arguments as their losing the share of the community market. In their view, the enlargement of the EEC was not matched by benefits enjoyed by the ACP Group. However, some progress has been made since the beginning of these negotiations in bringing these two positions close together.

25. For instance, principles of non-discrimination and dialogue have yet to be properly translated into relevant provisions of the Convention. In the same vein, the question of the external indebtedness of the ACP countries met with complete refusal on the part of the EEC to engage the ACP Group on that subject, let alone to have it included on the agenda of the negotiations. The concept of interdependence is also painstakingly recognized by the Community but then they have difficult interrelating it with effect. There are other difficulties in the negotiations, some of them are associated with attempts of the EEC to play down the likely impact that the new Convention will have to bear from the Single Europe Act which envisages a unified European market by 1992. Similarly, adverse effects on the ACP countries are likely to stem from the EEC proposal on tropical products made in the Uruguay Round of GATT negotiations.

26. The area of primary commodities, Stabex and Sysmin has seen the least progress in the negotiations, yet these are the most crucial pillars for the ACP Group. With the above issues being a central blockage in the negotiations for a new Convention a problem arises whether any real advantages will be derived by ACP States from Lomé IV should it be finally concluded in the light of the far-reaching requests made by the ACP Group for inclusion such as:

(a) a long-term programme for greater local processing of ACP primary commodities;

(b) increased support by the EEC for the International Commodity Agreements, in particular those of interest to ACP countries;

(c) special temporary arrangements providing for purchases by the Community of minimum volumes at minimum pre-established prices of certain key ACP commodities;

(d) improved functioning of Stabex and Sysmin, including such crucial issues as simplification of disbursements and utilization of the resources transferred under the scheme, increased funding, lower dependency and fluctuation threshholds etc.

27. It is rather difficult to pass judgement on many of these issues since at the time of writing this report, the European Community had not as yet reacted to the ACP's proposals and despite the fact that the overall attitude of the EEC members was rather negative to say the least.

28. Another important area relates to industrial co-operation and development. Progress has not been encouraging either although a certain broad agreement has emerged. In other words, the Community has consented to assist the ACP countries in developing viable indigenous industries. However, this should not disguise the fact that the two sides display quite wide differences in approach and emphasis on the subject matter. In the light of previous experience, what is required is a fundamental re-orientation in the very philosophical concept of industrialization if the EEC is genuinely keen to assist the ACP countries in that field.

29. The lack of progress in the general trade regime is second only to that in the area of commodities which is a logical extension. From the very start of the negotiations the approaches of the sides were very much wide apart. The ACP on the one hand, stressed the need for significant improvements in the preferential regime it enjoyed under the Lomé III Convention. The EEC on the other hand, held the view that there was only limited scope for such improvements and that the blame for the shrinking share of ACP exports in the Community markets was due to low competitiveness on the part of the former's products. The position of the EEC that stems from its proposals in the Uruguay Round, the preparations for the Single Europe market and ACP/EEC negotiations themselves, demonstrates clearly the intention by the EEC to put an end to the historical preferential regime as it existed throughout the lives of the previous Conventions. Given that situation, the ACP States must give priority to improving the efficiency of their domestic production in a significant way. This apart they ought to embark on a structural transformation process in order to increase the competitiveness of their exports diversify their commodity composition and possible re-orient the direction of suchexports so as to lessen the dependence on the EEC market.

30. Against this background and in the light of the fact that the EEC will remain the largest trading partner for the ACP Group in the years to come, emphasis in the negotiations must be put on the facilitation of ACP exports to the Community and preservation of certain acquired preferences, at least for selected products of major importance to African ACP countries. Measures in this respect could include the following:

- removal of all tariff and non-tariff barriers for the ACP exports to the Community market, except for those covered by special arrangements and protocols;

- improved operating procedures for a number of special protocols and arrangements like beef and veal, bananas and rice etc.;

- special preferential regime for ACP exports of manufactures and processed and semi-processed commodities as part of the general policy aimed at assisting ACP countries in their industrialization efforts;

- relaxation of the rules of origin as part of the above, in order to reflect the existing level of the industrial capacity of the ACP States; and

- special agreements concerning agricultural exports from ACP countries.

31. There are still a number of key issues to be resolved of which the main stumbling block is the trade component of the Convention. The ACP Group must, therefore, recognize that this is the time more than ever before to display unity and solidarity in its ranks. They must press for satisfactory solution to such key issues as trade and development. The success of the new Convention will therefore be measured by the extent to which it will respond adequately to the development needs and programmes of the ACP countries' economic recovery and self-sustained growth.

V. THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS

32. Uruguay Round of Multilateral Trade Negotiations within the GATT framework was launched in September 1986. The Uruguay Round Negotiations are very much advanced in terms of progress in certain areas, however judgement about the outcome of the negotiations themselves is still premature as they are only at mid-point. However, the beginning of substantial engagement over important issues has been particularly emphasized by the successful conclusion of the meeting of the GATT Trade Negotiating Committee last April. Despite the overall optimistic mood of the more developed participants, there remain serious flaws, some of which are potentially fatal. For instance:

- there has not been much diminution in the existing network of discriminatory export restraint arrangements which continue to constrain trade in such crucial areas as textiles and clothing;
- levels of support to agriculture remain unacceptably high;
- the possibility of resort to unilateral or bilateral protection is still reserved.

33. Another characteristic feature of the Uruguay Round is the low participation of African countries, especially those South of Sahara which possibly emanates from the very framework of GATT that does not readily accommodate the major problems and priorities of developing African countries' economies. Only a few African countries like Kenya, Egypt and to a certain extent Nigeria, Ghana and Tanzania have been actively involved in the negotiating process. This lack of African active presence in the Uruguay Round is in striking contrast with substantial numbers of African countries that are either among the Contracting Parties to the GATT, or are de facto members, i.e. apply the GATT provisions. Among the reasons for this apparent apathy are lack of resources for full preparation and participation in these meetings. Over and above, there is a wide-spread feeling among African governments that individually and collectively, they are small actors on the world trade scene and have little capacity to negotiate significant concessions beyond those of a general applicability like "tugging" along the Most Favoured Nation (MFN) principle. Experience with the operation of the Generalized System of Preferences (GSP) within the GATT framework only underlines the fears that in trade, equal treatment of unequals is unjust.

34. While the developing countries have seen their richer competitors enrich their own subsidy programmes since the beginning of the 1980s, the industrialized countries like the United States have initiated countervailing duty cases with great frequency and zeal against competing imported products. On the basis of data derived from a recent World Bank Report on that issue countries that use countervailing duty regimes (excluding Chile) decided a total of 347 cases between

1980 and 1986. Out of this number some 279 or 80 per cent targeted the developing world, with the USA initiating the majority of the cases cited above. It has to be stressed that since the Tokyo Round, little progress has been made in disciplining the use of subsidies by the industrialized nations, at least those of major importance to the developing countries such as agricultural export subsidies. Even the United States - by far the most frequent user of countervailing and anti dumping measures to offset the subsidies of the others - have added to their agricultural subsidies, as well as certain other industries as the production of semi-conductors.

35. Another reality of the African situation is that they have little to offer in terms of cuts in tariffs at the negotiating table. The recent tug-of-war between the European Community and Japan on steel or between the EEC and the United States of America on meat and fruits or the EEC's offer in the Uruguay Round on tropical products made conditional on counter offers by other industrialized countries are just too clear an indication of negotiating stances, which African countries could not ignore in terms of economic muscle flexing. Moreover, the approach adopted by the developed countries in the current round of Multilateral Trade Negotiations tends to suggest that their ultimate objective may include more managed trade in areas of particular concern to their counter parts in the developing world

36. It is partly in the light of the above that with funds provided by the African Bureau of the United Nations Development Programme (UNDP), the Project RAF/87/157 "Support to Africa in the Uruguay Round of Multilateral Trade Negotiations and to the External Sector of African Countries" was initiated and is presently executed by UNCTAD in collaboration with ECA Secretariat as well as in association with the OAU

37. Activities under this project focus particular attention on enhancing the capacity of African policy makers towards preparing and responding to developments in the negotiations. Thus, training is provided through studies, dissemination of training materials and seminars at national, subregional and regional levels. The project is also geared to providing advisory services to the African member states during the negotiations themselves. However, because of the late start of the project, it was decided to organize two post-Montreal seminars although originally they had to precede the Mid-Term Review Meeting in Montreal. The first of the two was intended for the countries of Central and West African subregions whereas the second one was for the countries of Eastern and Southern African subregions. The main topics of attention included: (a) tariffs and non-tariff measures (b) agricultural, natural resource-based and tropical products (c) functioning of the GATT system and GATT articles; and (d) new issues such as trade related aspects of intellectual property rights (TRIPS), trade-related investment measures (TRIMS) and services.

38. What is evident so far is that the Uruguay Round is unlike both the Kennedy and Tokyo Rounds. The difference is seen first in the inclusion of completely new issues that previously were outside GATT machinery, i.e. TRIPS, TRIMS and trade in

services. Secondly, there is a new focus in the approach to negotiations with wide implications for the developing countries which was put in a concentrated form in the Ministerial Declaration in Punta del Este where it was stated that problems of the developing countries would be addressed such as

> "... serious difficulties in commodity markets and the importance of an improved trading environment providing, inter alia, for the ability of indebted countries to meet their financial obligations and also
> "...contribute towards continued, effective and determined factors to improve the functioning of the international monetary system and the flow of financial and real investment resources to developing countries".

39. Developments in the negotiating process so far may have led to some degree of moderate optimism as far as the overall progress is concerned, with reservations concerning particular interests of developing countries cited above. With the conclusion on the 8th of April 1989 of the GATT Trade Negotiating Committee (TNC) meeting on the four remaining subjects out of the fifteen that were discussed at the Montreal Mid-Term Review last December, the Uruguay Round entered its final but crucial phase. While this recent agreement provides an encouraging backdrop to the talks, the achievement by 1990 of an outcome which responds to the needs of all the parties, particularly those of the developing countries, will require a negotiating environment characterized by realism and compromise.

40. There is a clear need for the developing countries to critically evaluate the results of the Montreal Mid Term Review of the Uruguay Round negotiations. It is evident that on many of the eleven subjects on which agreements emerged in the Montreal meeting, the decisions have not fully resolved some of the more confrontational issues like those of TRIMs. The differences between the participants that emerged during the first phase of the negotiations have in some cases been merely postponed. Nevertheless, in some of the contentious areas such as trade in services a workable basis for constructive progress in the second phase has been provided. Moreover, in the subjects directly related to access to markets, there has been a fair degree of precision and commitment with respect to the second phase of the TNMs (for instance, "substantial reduction or elimination of tariffs by all participants", agreement on sectoral coverage of the tropical products negotiations etc.). Similarly, deadlines have been set for the termination of data collection process and actual initiation of substantive negotiations".

41. Of the four issues dealt with by the TNC later in April, a detailed text of considerable importance was agreed upon in respect of agriculture, a sector which hitherto escaped GATT disciplines. The central feature of this compromise agreement is that the long-term objective of the Round is to establish a fair and market-oriented agricultural trading system. Meanwhile, subject to certain qualifications, current levels of protection are not to be exceeded. For their part, the developing countries managed to emphasize two broad considerations: first because agriculture accounts for a major part of their GDP and provides income to wide group of the population, the developmental aspect of this sector should not be ignored. This implies the inclusion in the final package of

specific provisions which would enable developing countries to undertake certain measures without these being considered as forbidden subsidies in their case. Some of these measures are a provision of inputs at preferential and reasonable prices, financing of research by governments, availability of credit at lower rates, ensuring remunerative prices etc. Recently, a number of net importing countries are pre-occupied with the possible increase in market prices that the liberalization might trigger in the short run and insist that specific assistance measures should be envisaged in order to compensate for additional budgetary bill.

42. Progress has also been made in the area of intellectual property rights (TRIPS), with the agreement that the negotiations shall encompass ... the provision of adequate standards and principles governing the availability, scope and use of TRIPS. This agreement is accompanied by an implicit reference to the concerns of the developing countries that issues affecting their overall development objectives, such as restrictive business practices, the abusive use of TRIPS and the transfer or access to technology should form an integral part of the negotiating process in that area.

43. With an outcome on the issue of tropical products and a working basis for continuation of talks on trade in services, the Mid-Term Review from the point of view of developing countries could be said to be not so bad. Seen in conjunction with improvements in some of the systematic issues such as dispute settlement, one could tentatively characterise the overall results of Montreal meeting as positive. However, the April TNC meeting seems to have shifted the balance in the negotiating process against the developing countries. Thus even before the Montreal meeting it was clear that two subjects - those of Safeguards and Textiles and Clothing - could at best result in a procedural decision for the developing countries since the above two issues had barely been negotiated during the first phase of the Uruguay Round. It still seems highly unlikely that the major developed countries could accept a commitment to liberalize their restrictions under the Multi-fibre Arrangement or abandon the selectivity in safeguards.

44. Furthermore, as the Uruguay Round negotiating process advances after the Mid-Term Review decisions adopted in Montreal and Geneva in December 1988 and April 1989 respectively, the problem of asymmetry first identified during the preparatory stage of the Mid-Term Review, becomes more acute to the detriment of the interests of the developing countries. Similarly, it becomes increasingly evident that the Uruguay Round was launched by the developed countries in order to secure the inclusion of "new issues". On the other hand, the developing countries accepted to negotiate on the understanding that the issues of primary interest to them would be meaningfully addressed. In this regard it has to be stressed that in order for them to ensure that the overall results of the MTNs incorporate their concerns and interests, the developing countries have to double their efforts and work assiduously during the final stage of the Round.

VI. CONCLUSIONS AND RECOMMENDATIONS

45. On the basis of the preceding analysis, it can be seen that while the developed market-economy countries experience the longest economic expansion of the post-war period, most developing African countries continue to stagnate. Worse still, a deterioration can be foreseen in their growth performance in the nearest future also. Africa seems to be caught in a vicious circle linking inflation and budget deficits to debt and socio-economic stagnation so that governments are themselves caught in policy dilemmas. Adjustment programmes aimed at achieving balance in external payments, for example, often produce perverse results. Moreover, attempts at checking domestic demand reduce government income from taxes and import duties, which are often the major source of revenue, while currency depreciations raise the domestic currency costs of debt-service obligations and imports, thereby exacerbating inflationary pressure.

46. Trade policy reforms have also been a source of negative interactions. In an economic environment often characterized by foreign exchange scarcity resulting from heavy debt service payments, and by exchange rate instability associated with this scarcity and with high inflation, imports and investment fall in real terms. In such circumstances, therefore, the response of economies to the generalized import liberalization has often been weak in terms of economic growth achieved. Contrastingly, countries which have adopted targetted import liberalization accompanied by selective export incentive packages and stable exchange rates have achieved the best export records. However, protectionism in the developed countries' markets remains a major obstacle to the success of trade policy reforms. Additionally, the possibility of achieving high rates of investment and boosting exports seems to be very low for most African countries which are in the grip of macro-economic disorder created by enormous debt overhang.

47. Another conclusion that can be made at this juncture relates to a growing incoherence between the trade policies of the developed and developing countries which could threaten the future attempts by the latter to achieve export-led growth. The protectionist environment that developing Africa encounters at present implies that newcomers to international markets concentrating, in particular, on more traditional manufacturing sectors, may not be as successful in increasing their exports as the newly industrialized countries of South East Asia have been over the past two decades. Among the negative developments on the world trade scene that substantiate this view are actions taken by the United States of America under the Omnibus Trade Expansion and Competitiveness Act. Fears are also expressed that the process of achieving the conformity among national non-tariff barriers in the run-up to the Single European Market in 1992 could lead to a further escalation of protectionism affecting, among others, exports of the African countries.

48. In fact, the consequences of the completion of the single market will vary in nature and intensity depending on the structure of production and competitiveness of the Community trading partners. Thus, it will be primarily the developing countries with flexible and strong production capacity that will take advantage of the enlarged market and the increased export opportunities it will offer. Even the representatives of the European Economic Community themselves

admit that in this situation the weakest among the developing countries could well find the going initially much harder. They must therefore count on receiving special consideration and support under the EEC development policy.

49. As the Lome IV Convention will cover the period from 1990 to 1995 it must contain preventive measures to ensure that the single European market of 1992 will not be achieved at the expense of the ACP countries. However, the expected outcome of the ACP-EEC negotiations seems to be putting an end to most of the preferences previously enjoyed by the ACP group which will be faced with the real threat of being caught in the middle of the evils of protectionism and the excesses of the liberalization. In other words, greater openness of the Community market entailing stronger competition from other developing countries coupled with continued protectionism in certain areas of export interest to ACP countries as well as reduction in their preferences will certainly lead to further marginalization of the latter. To counter this tendency, the ACP group should insist on a number of special measures, some of which are listed in Chapter III above. This is one of the ways of ensuring that their long-term interests are not swept away from the EEC market by more developed competitors. The situation calls furthermore for a more efficient and rational production structures on the part of the ACP countries themselves; hence, the need for corrective measures at their level too, preferably well before the completion of the single market takes place.

50. In the area of Multilateral Trade Ngotiations under the GATT auspices, while progress has clearly been made in the Mid-Term Review, it would appear that several issues of concern to the developed countries like the functioning of the GATT system, agriculture, services and TRIPS, have advanced to a greater extent than issues of interest to the developing world, such as non-tariff measures, safeguards or textiles. Thus, for example, the selectivity problem in safeguards and a commitment to eliminate the Multi-Fibre Arrangement in textiles remain in abeyance. If these and other outstanding issues are approached in a negotiating spirit aimed at reconciling divergent interests, then the promise would exist for a final agreement which would make the GATT more relevant to trade and development in today's economic environment and whose content would have far-reaching results for the economic well-being of all the countries.

51. In this view a matter of crucial importance for the developing countries is to ensure that the balance achieved in Punta del Este be preserved among the aims of the negotiations, and that the agreement reached in Montreal should not be considered as a rewriting of the Punta del Este Declaration. In this connection it must be recalled that the above Declaration does not recognize liberalization of trade in services as a goal in itself, but states that this liberalization as well as expansion of trade should be such as to lead to economic growth and development of developing countries. If this objective is to be pursued effectively, relevant concepts to the development goals as development compatibility, relative reciprocity, preferential market access opportunity, access to modern technology, enhancing national services capacity, regulation of the activities and practices of the market operators and sovereignty of national economic space, should be included in any future agreement on trade in services as well as all other sectors.

52. When all the above are considered together and in the light of the analysis of the Africa's trade performance, it would be opportune to return to the Lagos Plan of Action and the Final Act of Lagos in order to pursue relentlessly their goals and objectives. An end needs to be put to the dichotomy between the short-term crisis management through adjustment and the pursuit of the long term development approach, with the appropriate recognition given to the adjustment and its integration with the long term development objectives already elaborated in the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation. The logic of the AAF-SAP and its transformational path to adjustment is that it provides an opportunity for a complete refocussing on domestic development that will compel relentless pursuit of the policy measures and priorities enunciated in the Lagos Plan of Action and Africa's Priority Programme for Economic Recovery, 1985-1990.